Trade and Agriculture
What's at Stake for Washington?

U.S. Department of Agriculture
Foreign Agricultural Service
October 2001

Washington is an important producer and exporter of agricultural products. In 2000, the State's cash receipts from farming totaled $5.0 billion. Washington ranked eighth among all 50 States in 2000 with agricultural exports estimated at $1.6 billion. These exports help boost farm prices and income, while supporting about 23,000 jobs both on and off the farm in food processing, storage, and transportation. Exports remain important to Washington's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 33 percent in 2000.

Washington's top five agricultural exports in 2000 were:

- vegetables – $470.7 million
- fruits -- $460.9 million
- wheat and products – $201.5 million
- live animals and red meat – $108 million
- dairy products – $43.6 million

World demand for these products is increasing, but so is competition among suppliers. If Washington State's farmers, ranchers, and food processors are to compete successfully for opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

Washington Benefits From Trade Agreements

Washington is already benefitting from a number of agricultural trade agreements. While there is still much to be done, examples of market opportunities include:

- As the third largest fruit producer nationwide, Washington benefits under the North American Free Trade Agreement as Mexico eliminated its tariffs on fresh U.S. pears, quinces, plums, prunes, and apricots in 1998. U.S. exports of pears and quinces rose from $26.6 million in 1998 to $42.2 million in 2000. U.S. exports of fresh plums and prunes rose from $3.5 million to $4.4 million during the same period.

- Washington, the second largest vegetable producer in the nation, benefits under the Uruguay Round as Japan, South Korea, and Thailand lower their tariffs on sweet corn. By 2004, Thailand will reduce its tariffs on canned and frozen sweet corn to 30 and 40 percent, and Korea will reduce its tariffs on frozen sweet corn from 60 to 54 percent. Japan reduced its tariffs on frozen sweet corn from 12.5 percent in 1995 to 10.6 percent in 2000. Supported by lower tariffs, U.S. frozen sweet corn exports to Japan increased 12 percent to $9 million from 1995 to 2000. Similarly, U.S. canned sweet corn exports to South Korea topped $22 million in 2000, up 120 percent since 1995.

Washington, the fourth largest wheat-producing state, benefitted from limits set on subsidized wheat exports as a result of the Uruguay Round agreement. These limits influenced the European Union's decision to change its Common Agricultural Policy, ultimately lowering internal EU market prices to world price levels. As a result, annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use, and annual EU wheat imports jumped from 1.5 million tons to 4.5 million tons as the levied margin of protection fell. This translates to an 11-percent reduction in global export competition and a 3-million-ton increase in the EU market, half of which is supplied by the United States.

Under the North American Free Trade Agreement, Mexico eliminated import licensing for wheat and is phasing out tariffs. Since 1994, average annual U.S. wheat exports to Mexico have more than doubled, from 20 million bushels to nearly 50 million bushels. In 2000, exports reached 66 million bushels valued at $200 million.

Washington benefitted as Japan reduced its tariffs on chilled and frozen beef to 38.5 percent, a move that exceeded its Uruguay Round commitment. Japan’s imports of U.S. beef rose from 274,000 tons valued at $1.3 billion in 1994 to 368,000 tons worth $1.5 billion in 2000. South Korea eliminated its chilled and frozen beef import quotas in 2001, and will reduce its tariffs to 40 percent by 2004. Supported in part by these changes, South Korea’s imports of U.S. beef rose from 60,000 tons valued at $227 million in 1994 to 143,000 tons worth $506 million in 2000.

Under the North American Free Trade Agreement, Mexico eliminated its 15-percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25-percent tariff on frozen beef. Its 20-percent tariff on beef offal will be eliminated by 2003. Mexico has been the fastest-growing market for U.S. beef, supported in part by the elimination of tariff barriers. U.S. beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at $116 million to 179,000 tons valued at $531 million in 2000.

Under the Uruguay Round agreement, the European Union reduced tariffs on wine by 20 percent, and Japan reduced its tariffs by 15 to 21.3 percent. Supported by lower tariffs, U.S. wine exports to the EU rose more than threefold from its 1995 level, reaching $293 million in 2000. Likewise, U.S. wine exports to Japan doubled during the same period, reaching $66 million. Under the 1989 U.S.-Canada Free Trade Agreement, Canada reduced its cost-of-service mark-p on U.S. wines. U.S. exports of wine and products to Canada rose from $19 million in 1989 to $104 million in 2000.